Health Reform Drops the Hammer on Jobs
By Janet Trautwein

In recent testimony before the House Budget Committee, Medicare's chief actuary, Richard Foster, was asked whether President Obama's new health care law would allow Americans to keep their existing coverage.

His response? "Not true in all cases."

In fact, the health care law is not only causing many businesses to drop or scale back their insurance plans -- it's also preventing them from creating jobs.

A new survey of nearly 2,400 insurance agents and brokers -- who interact on a daily basis with employers who provide health insurance – hammers home the stark reality of the new law. More than half of brokers report that some of their clients have dropped coverage altogether as a result of health reform. Seventy percent have watched employers decrease the amount of coverage they provide, and a whopping 90 percent of firms have increased premiums for their employees.

Health reform has also caused employers to lay off workers or avoid hiring new ones. Forty percent of brokers state that their clients have eliminated jobs, and 57 percent have seen businesses reduce hiring.

The country's half-million licensed health insurance agents and brokers are feeling the pinch as well. More than 70 percent have witnessed their business incomes decline as a result of health care reform's new rules. These reductions in income haven't led to savings for consumers, as the law's proponents claimed they would. Instead, 21 percent of agents have been forced to cut jobs themselves, and 26 percent have had to reduce the services they provide to their clients.

Only 36,000 new jobs were added to the U.S. economy in February -- 109,000 less than economists predicted. Americans certainly cannot afford to have the health care law add more fuel to the unemployment wildfire.

Why are so many jobs disappearing -- both inside and outside the insurance industry?

The primary culprit is the law's medical loss ratio (MLR) requirement, which mandates that insurers spend at least 80 to 85 percent of premium dollars on medical claims. Proponents of these rules believe that they'll force insurance companies to spend more on patient care -- and less on administration and profits.

Unfortunately, there's not much fat to trim from insurers' budgets. The health insurance industry posted a slim 2.2 percent profit margin in 2008 -- one-fifth the margin enjoyed by the securities industry, and one-tenth that of the pharmaceutical sector.

Further, the MLR rules are quashing competition in the insurance marketplace. Iowa-based Principal Financial Group, for instance, has decided to stop offering health insurance altogether, as it can't afford to comply with the new regulations. Its 840,000 customers will have to find new policies -- and consumers will have one less choice for insurance.

Insurance commissioners in Maine, Nevada, Kentucky, and New Hampshire have already applied for waivers from the medical loss ratio rules, as they're concerned that the regs will destroy their insurance markets. Only two insurers sell individual policies in Maine -- and one is threatening to pull out if the state does not receive a waiver. Without a semblance of competition, insurance prices will skyrocket.

And as prices rise, fewer and fewer businesses will be able to afford health insurance for their employees -- or to hire new ones.

Many groups have run the numbers and discovered that they can't live within the health care law's constraints. More than 900 organizations -- from small towns to labor unions to chain restaurants like McDonald's -- have received waivers from the federal government from the law's minimum annual benefit requirement. Without them, they'd have to quit providing insurance to their employees -- or lay off scads of workers, as each additional employee would simply cost too much to insure.

Health reform was supposed to expand Americans' access to coverage. Thus far, it's accomplished just the opposite.

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